



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Tuesday, June 3, 2003

Grassley Introduces Family Tax Relief Bill

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, this afternoon introduced his legislation to provide additional tax relief for working families. Grassley submitted the following statement on the introduction.

Please note: There are two identical bills. S. 1173 will be referred to the Finance Committee. S. 1174 will be held at the Senate desk in case the bill is considered directly by the full Senate.

Relief for Working Families

Mr. President: I want to speak briefly about low-income families and the recently passed tax bill. There has been much heat and very little light about what we have done in this bill. Most of the heat has been focused on the conference decision not to retain the Senate position regarding acceleration from 10% to 15% as part of the refundable child credit – a change already scheduled to take place in 2005.

Before I discuss this matter in detail, let me start by saying that I agree with my colleagues that we should seek to reconsider this provision. I am introducing legislation today that will do that, and will also, of equal, and perhaps greater importance, provide a uniform definition of a child and make the \$1,000 child credit permanent. Finally, my bill will eliminate the marriage penalty that is contained in the child credit. This bill is an encompassing effort to help low-income and middle-income families.

The uniform definition of a child will help hundreds of thousands of families receive tax benefits for which they are not currently eligible. As important, it will bring simplification and clarity for millions of families, ensuring that they are not subject to IRS audit and collection efforts.

The bill also makes permanent the \$1,000 child credit. Otherwise, in 2005 working families with two eligible children will receive a \$600 tax increase as the tax credit drops to \$700. In addition, the bill accelerates the refundable calculation from 10% to 15%.

Finally, the bill addresses the marriage penalty contained in the child credit. Currently, the child credit phases out at \$75,000 for a single mother and a \$110,000 for a married couple. My bill would eliminate the marriage penalty by having the credit phase out at \$150,000. In addition, it

adjusts the phase-out level for inflation.

Mr. President, I do not need to wait for comments from my colleagues or from the media to take this action. Many from the media who attended my press conference the day of final passage of the conference report will recall that I stated then that I would quickly seek to revisit the child tax credit issues and seek Senate action on permanency of the child credit.

Let me turn now to the acceleration issue. The media and some members of Congress seem to have a willful blindness as they discuss this matter. What are they blind to? The Earned Income Credit (EIC) program provides great assistance to the very population that is of concern.

Let me give you an example: A family of four making \$11,000 will be eligible for \$50 under the refundable child credit. By accelerating it, as proposed by my bill and by others, they will now be eligible for \$75. What does this family get under EIC? In 2002 they will get a check for \$4,140. That means that family is paying no income tax and payroll tax of \$842 and is getting a payment from the federal government of almost \$3,300 in excess of the payroll tax they pay.

You would never know this from the media accounts and the press releases. And even if there is a mention of the EIC, I have seen no mention of the dollar amount – the \$4,000-plus check for families with two children and \$2,500 for families with one child. Why is that? Because the chicken littles are too busy running around. I would hope that the concept of “context” would not be something of which the media has to be reminded. You would think from reading speeches and media accounts that the whole tax relief provided in the tax code to a family making \$11,000 is the refundable child credit. The child credit for these families at this income level is a thimble compared to the enormous benefits of EIC.

Let me remind my colleagues of the purpose of the child credit: It was designed to address the perceived penalty for working families as the EIC began to phase out. In fact, the original proposal of the refundable child credit that I drafted with Senator Baucus in 2001 would not have begun to take effect until the point where the EIC begins to phase out – at approximately \$13,500 for a head of household and \$14,500 for married couples.

The Finance Committee heard testimony, and it was the repeated view of academics, that Congress needed to address the phase-out of the EIC. There was no testimony to the Senate Finance Committee and I can find very little in respectable academic discussions that advocated an increase in the check for EIC recipients – that the EIC top amount of \$4,000 plus for two children or \$2,500 for one child was insufficiently generous.

So that is what was the genesis of the Finance Committee’s support for a child credit – addressing somewhat the EIC phase-out as families begin to make more money. However, the beginning point of the phase-in was shifted at the request of some senators to \$10,000. That does not negate that the underlying purpose was and is to deal with the EIC phase-out.

This concern about the phase-out is reflected in the actions we took in conference. By raising the child credit to \$1,000 we helped put more money in the pocket of a single mom with one child

making \$17,000 to \$20,000.

That single mom making \$20,000 will now get a \$1,000 check instead of a \$600 check under previous law.

What if we were to only do as some propose and do acceleration to 15% but not increase the child credit in 2005 to \$1,000?

Yes, it will mean a bit more for those families already receiving a \$4,000-plus check under EIC – and I recognize that every penny counts to these families. But this proposal will also mean a tax increase on that single mom making \$18,000, that single dad making \$19,000 and that married couple with one child making \$20,000. Why? Because they benefit more from the increase in the child credit to \$1,000. The acceleration will not benefit them; they will quickly meet the maximum child credit. It is the increase to \$1,000 that is the real benefit for these families that do not receive the maximum benefits under EIC.

That is why I urge my colleagues to support my legislation that helps millions of working families, and doesn't impose a tax on families that are working hard and getting themselves a little bit better paying job.

And let me close with one other note. My colleagues should remember that this bill takes 3 million taxpayers off the rolls completely. They will no longer have to pay tax under this legislation. Much of that is due to the increase in the child credit to \$1,000.

Finally, for those who want to talk about income tax relief for low-income individuals, I would encourage them to remember this is many ways a bill that is in concert with the 2001 tax relief that created the 10% bracket and provided great income tax relief to singles. Again, a bigger picture that provides greater context of our work will show that we are providing broad-based relief to millions of taxpayers.

I urge my colleagues to work with me in passing this full relief for families. I also think it is important that we pass legislation that can be passed into law by working with the House and the White House. We have already passed legislation that deals with just the 10% to 15% – the Finance Committee passed it and the Senate passed it. The Senate is on record on this matter already. Now is the time to bring real relief and permanent relief to all working families.